

**State Employee Benefits Committee  
Monday, April 13, 2015 at 2:00 p.m.  
Tatnall Building, Room 112  
Dover, Delaware**

The State Employee Benefits Committee met on April 13, 2015, at the Tatnall Building, Room 112, Dover, Delaware. The following Committee members and guests were present:

Ann Visalli, Director, OMB	Joe Marocco, HMS
Brenda Lakeman, Director, OMB, SBO	Omar Masood, OST
Faith Rentz, Deputy Director, OMB, SBO	Mike Morton, Controller General
Lisa Porter, OMB, SBO	Jennifer Mossman, Highmark DE
Mary Thuresson, OMB, SBO	Mike Norris, Aetna
Howard Atkinson, Segal	Casey Oravez, OMB, Financial Operations
Matt Bittle, DE State News	Rich Phillips, DSEA-R
Lisa Carmean, City of Milford	Karol Powers-Case, DRSPA
Tom Cook, Finance	Lori Reddicord, City of Dover
David Craik, Pension Office	Rebecca Reichardt, OMB
Mike Curtiss, Truven Health Analytics	Sandy Richards, AFSCME-R
Chief Magistrate Alan Davis	Shari Sack, Aflac
Scott Douglas, Univ of DE	Aaron Schrader, SBO
Jessica Eisenbrey, OMB	Ken Simpler, OST
Wayne Emsley, DRSPA	Henry Smith, DHSS
Karin Faulhaber, PHRST	Ashley Tucker, AOC
Alfreda Fisher-Dean, DSEA-R	Chris Ulrich, Univ of DE
Darcell Griffith, Univ of DE	Jennifer Vaughn, DOI
Jim Harrison, DSEA-R	Karen Weldin-Stewart, DOI
Marie Hartigan, SBO	Thomas Weatherup, Truven Health Analytics
Kim Hawkins, City of Dover	Kim Wilson, RWA
Christina Hudson, Univ of DE	Stuart Wohl, Segal
Andrew Kerber, DOJ	Rebecca Zink, OST
Geoff Klopp, COAD	

#### **Introductions/Sign In**

Director Visalli called the meeting to order at 2:03 p.m. Anyone who had public comment was invited to sign in and any others wishing to comment would be given the opportunity at the end of the meeting. Introductions were given around the room.

#### **Approval of Minutes**

Director Visalli requested a motion to approve the minutes from the March 20, 2015 SEBC meeting. Controller General Morton made the motion and Mr. Henry Smith seconded the motion. Upon unanimous voice vote the minutes were approved.

#### **Director's Report – Brenda Lakeman**

Ms. Lakeman provided an update to the Open Enrollment (OE) Employee Consent Campaign. Over 6,000 employees opted out of having their OE material sent to them via US Mail. The remainder of those employees will have a packet mailed to them the week of April 22<sup>nd</sup> with an introductory letter, information on the upcoming health fairs, where to find information online and federally required notices. The Statewide Benefits Office (SBO) is conducting Employee Education Sessions on April 15<sup>th</sup>, April 21<sup>st</sup> and April 22<sup>nd</sup> with three sessions at 9am, 12pm and 5pm to accommodate

different schedules. Staff from the SBO will be present along with representatives from Aflac, Highmark, Aetna and Minnesota Life. Ms. Lakeman reminded the committee the last date to file all Flexible Spending Account (FSA) claims is April 15<sup>th</sup>. SBO has sent out numerous emails from ASI as well as distributed lists to each of the agencies and school districts with the people that still had money left over to reach out to them and not forfeit those funds.

#### **FY16 Group Health Program Planning - handout**

Ms. Lakeman reviewed the slide presentation and explained the objectives today are to discuss the Out of Pocket Maximum for Out of Network PPO, review the current FY16 Planning, Plan Design Option for FY16 and the next steps.

The Out of Pocket (OOP) limits for the Delaware plans for FY2016 In-Network were reviewed. The recommended medical OOP maximum change is \$4,500 individual/\$9,000 family for all plans except for Highmark DE First State Basic which was left at \$2,000 individual/\$4,000 family. For prescription, the OOP maximum is set at \$2,100 individual/\$4,200 family for all plans. When looking at the Out-of-Network limits, it was recognized that the Comprehensive PPO plan had a lower OOP maximum than the in-network plan so this is adjusted to \$7,500 individual/\$15,000 family which is consistent for the CDH Gold plans.

Ms. Lakeman continued stating the FY16 expenditure projections are estimated to be \$743.0M (includes ACA fees, estimated rebates, adjustments for EGWP subsidies and reinsurance reimbursements, and the cost of covering ACA requirements for preventative care and out-of-pocket limits). The FY2016 revenue projections based on current FY2015 rates is \$626.7M bringing the total deficit to \$116.3M. Using the General Fund allocation of \$26.1M, that translates into \$56.2M (all of the non-state groups paying full funding, what the employees and pensioners pay, and special funds that go towards the health fund) leaving a remaining deficit of \$60.1M for FY16.

Director Visalli reminded the committee that when the premium increase of 9.7% was voted on, this solved half of the problem. This left a \$60M problem with the current plan design structure. The fund will be short \$5M a month until a resolution is reached which is one of the reasons for meeting today, to continue the dialog, look at options and solutions. Approximately \$1M of that \$5M a month is money that comes in from the participating groups such as University of Delaware and City of Dover. The committee voted to increase a fee of 10% on the participating groups which equates to the amount that will be subsidized by the State for the State employee and pensioner claims. If the \$60M problem is solved, that 10% fee could be rolled back to zero. If only a portion of the \$60M problem is solved, then the 10% fee would be adjusted proportionally. Almost all participating groups were paying 5% so by adding 10%, this brought their rate up to 15%. Those groups not paying the 5% were brought up to the 15%.

Director Visalli explained the Funding/Plan Design combinations. The \$26.1 General Funds yielded a total \$56.2M which includes the other fund types such as NSF and ASF, and all the employees and the participating groups portions. The prescription plan change options were reviewed with the generated savings if implemented. Ms. Lakeman added this slide prescription plan change options has been shown during the past few meetings except for the last prescription copy change in Option 3. It had been mentioned in a past meeting to consider reducing the generic to \$8.00. As a result the preferred tier was increased to \$28.00. Contact Ms. Lakeman if there are any other additions or options to model. There is a sixty day notification process to participants and to process this notification the SBO would need ninety days. The medical copay changes were presented and discussed along with the list of freestanding facilities for x-rays, lab tests, outpatient surgery. Director Visalli stated this vote for the OOP maximum will take place after Public Comments and asked if anyone had questions. This was followed by discussion of the committee.

#### **Truven Health Analytics – handout**

Mr. Thomas Weatherup presented the Trend Driver Analysis report to the committee. The analysis was divided into two separate populations of Actives and Early Retirees and Medicare Retirees. The time periods include Prior Rolling Year (PRY) which reflects claims incurred November 2012 through October 2013, paid through January 2015 and the Current Rolling Year (CRY) that reflects claims incurred November 2013 through October 2014, paid through January 2015. Analysis includes medical, mental health and prescription drug claims data. High cost claimants are defined as members

who incurred \$100,000 or more in medical and drug net payments during the rolling year. Key findings for the Actives and Early Retirees 2013-2014 trend with specific conditions impacting 2014 included newborns, renal function failure, and chemotherapy. Utilization of out-patient services decreased, third party payments had a reduction in collected payments (e.g., COB) accounts for 28% of the year-to-year increase in net payments, overall patient net costs were 8% higher in 2014, prescription drug net costs increased 10% during this time driven by higher drug prices (per day supply) and rapidly growing specialty (Hep C and Cancer) drug spend. Key findings for the Medicare Retirees trend show a significant impact in rising drug prices with a 9% increase in 2014 compared to 2013. Specialty drug utilization is a major contributor to increasing costs as net costs increased from \$9.2 to \$17.4M. The measure of illness burden increased 13% in 2014. Price per inpatient admission increased 5% / 7% for medical/surgical admissions. Medicare retirees experience a much longer average length of stay in 2014 with an increase of 18%. The 2014 trend was driven by high cost claimants, outpatient price for active/early retiree and in-patient price for Medicare retirees, third party payments account for 28% of the year-to-year increase in net payments and a sharp increase in drug prices.

#### **FY16 DelaWELL Program – handout**

There has been roughly \$16M in savings since FY11 through the Disease Management program. In FY14 alone, the Disease Management Program savings was \$6M. Ms. Lakeman shared the program requirements for FY16 will include an annual physical examination and online wellness assessment completed by each participant. This strategy will focus on preventive care covered at 100% allowing opportunities for participants to focus on their own health and save money by working with their own primary physician. Director Visalli stated this vote will take place after Public Comments and asked if anyone had questions. Treasurer Simpler asked if SBO could provide a count of those employees that do currently have a primary care physician.

#### **Public Comment**

Mr. Scott Douglas, Executive Vice President of University of Delaware commented he realizes the committee has a lot to deal with on the \$60M deficit; however he expressed concern when the University of Delaware's classification changed from State employees to participating agency, breaking a 60 year tradition of the University being recognized as State employees. The University was already participating in the State health plan when other groups were allowed to join in 1995, not assessed the 5% fee in 2003 when assessed to other groups in 2003 and most recently when notified that the University employees were included in having to offer a new benefit being offered to State employees. Then in March 2015 the University was notified they would be assessed a 15% risk fee as a participating group that is about \$9.9M annually. Solving this problem disproportionately on the back of University of Delaware is problematic. Director Visalli stated the University of Delaware did get charged the 15% fee and emphasized that 10% applied to all participating groups who are not in the State pay plan. The real change is the 5% or \$3.3M that the university was not paying in the past although other participating groups were assessed this fee. Director Visalli also clarified that if the JFC puts an additional \$28M into premiums, the University will continue to pay the 10% in the form of premiums and that the crux of the University's issue is the additional 5%.

Mr. Wayne Emsley, DRSPA expressed appreciation to the committee for their efforts.

Director Visalli asked for a motion to approve the first item of Out of Pocket Maximum for Out of Network for the Comprehensive PPO. Mr. Cook made the motion and General Controller Morton seconded. With unanimous voice approval the motion carried.

Director Visalli asked for a motion to approve the second item for the implementation of the DelaWELL Program structure. Mr. Cook made the motion and General Controller Morton seconded. With unanimous voice approval the motion carried.

Director Visalli stated the next SEBC meeting is scheduled for April 27 in same location and asked for a motion to adjourn the meeting. General Controller Morton made the motion and Mr. Cook seconded. With unanimous voice approval the motion carried. Meeting adjourned 4:10 p.m.

Respectfully submitted,

Lisa Porter  
Executive Secretary  
Statewide Benefits Office, OMB